



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Carl W. Mosher

SUBJECT: SEE BELOW

DATE: 4-14-04

Approved

Date

SUBJECT: THIRD CONTINUATION AGREEMENT FOR CONSULTANT SERVICES BETWEEN THE CITY OF SAN JOSE AND MONTGOMERY WATSON HARZA, INC. CONSULTANTS

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to execute the third continuation agreement between the City of San Jose and Montgomery Watson Harza, Inc. (MWH) for consultant services, extending the term of the agreement for six months from April 1, 2004 through September 30, 2004, at no additional cost.

BACKGROUND

Several new power plants have recently been constructed or have been approved that utilize recycled water for cooling, and other customers who will use recycled water will also be coming on line soon. Cooling towers concentrate salts in the recycled water and the concentrated wastewater returns to the sewer system where it increases the salinity entering the San Jose/Santa Clara Water Pollution Control Plant (WPCP), beginning a cycle that will increase the salinity of the recycled water over time. The increasing concentration of salts over time can reduce recycled water's marketability and jeopardize the long-term success of the City's water reuse program. To address this issue, a study of the use of advanced water treatment (AWT) processes was initiated to evaluate alternative methods to improve the quality of recycled water distributed by the South Bay Water Recycling (SBWR) system.

Total cost of the study was estimated at \$362,356. In September 1999, the US Bureau of Reclamation awarded the City a grant of \$50,000 to perform the study and, in October 1999 the Water Reuse Foundation awarded the City an additional \$10,000 grant to support this work. In September 2000, the Santa Clara Valley Water District (SCVWD) provided an additional \$113,678 to support the study, which included funds from a \$50,000 grant from the California Energy Commission and the Metropolitan Water District of Southern California. In addition,

two water treatment companies, US Filter and Ionics Ultra Pure Water Corporation, agreed to participate in the investigation by providing water treatment equipment with a combined rental value of \$125,000 at no cost to the City. Funds granted by other agencies and equipment provided at no cost in support of the study total \$298,678. The result of the partnerships lowered the City's projected cost to \$63,678.

ANALYSIS

In June 1998, the Council approved an agreement with Montgomery Watson Americas, Inc., (now Montgomery Watson Harza, or MWH) in an amount not to exceed \$3,575,000 to provide a wide range of engineering services for the SBWR program. Council subsequently approved three time extensions, extending the term through September 30, 2003, and increasing the total amount of compensation by \$88,900 to provide for consultant assistance during the performance of the AWT study, for a total contract amount not to exceed \$3,663,900. At no additional cost to the City, a second continuation agreement was approved by the City Manager, extending the contract from October 1, 2003 through March 31, 2004 to allow for continued support for the AWT Pilot Study.

Subsequent delays with the receipt and start-up of the advanced water treatment equipment and problems that developed during the testing process extended the completion date of the project. Field-testing was successfully completed as of March 25, 2004. The consultant is now preparing the final report, which will provide an analysis of the cost implications and a recommendation on the preferred technology for the desalination of recycled water produced by SBWR. Therefore, a six-month retroactive time extension, at no additional cost to the City, is now requested from April 1, 2004 to September 30, 2004 to allow for data analysis, peer review and the preparation of the final report pursuant to the original agreement.

PUBLIC OUTREACH

The SBWR development plan was developed in consultation with agency representatives, including staff and elected officials of the SCVWD, the cities of San Jose, Milpitas, Santa Clara, and other agencies tributary to the WPCP. Both agency and community stakeholders participated in numerous planning exercises including the Santa Clara County Medical Association, the San Jose Unified School District, the Silicon Valley Chamber of Commerce, the Homebuilders Association, the Farm Bureau and several other business, educational and environmental groups. In addition, public meetings were held in San Jose, Milpitas and Santa Clara to obtain public comment on the future use of the recycled water.

COORDINATION

This memo was coordinated with the City Attorney's Office, the Manager's Budget Office, and the Risk Manager's Office. This item is scheduled to be heard at its May 13, 2004 Technical Advisory Committee (TPAC) meeting. The recommended resolution will authorize the City Manager to execute the third continuation agreement, if approved by TPAC.

COST IMPLICATION

1. Amount of Recommendation: No Cost

2. Cost of Project:

Advance Water Treatment Pilot Study	\$116,900*
Other Engineering Support Services	<u>\$3,547,000</u>
TOTAL	<u>\$3,663,900</u>

3. Source of Funding: 512 - San Jose/Santa Clara Treatment Plant Capital Fund

* Note: \$53,222 of the \$116,900 budgeted for the AWT pilot will be reimbursed through grants.

This recommendation meets the general principals of the Mayor's FY 2003-04 Budget Strategy by protecting a core service and reducing costs.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amt. for Contract	2003-2004 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
512	6589	Revised SBAP-SBWR Extension	062873	\$34,030,000	\$3,663,900	207	10/14/2003, Ord. No. 26997

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CEQA

Not a project.

CARL W. MOSHER

Director, Environmental Services Department